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TO RUEHC/SECSTATE WASHDC PRIORITY 1387
INFO RUCNIRA/IRAN COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L BAKU 001450

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DEPT FOR EUR/CARC, EB/ESC AND NEA/IR; PLEASE PASS TO USTDA
- DAN STEIN

E.O. 12958: DECL: 10/03/2016

TAGS: [ECON](#) [ENRG](#) [PREL](#) [IR](#) [AJ](#)

SUBJECT: REQUEST FOR GUIDANCE: SHAH DENIZ GAS AND IRAN
SANCTIONS

REF: BAKU 1395

Classified By: Ambassador Anne E. Derse per 1.4 (b,d).

11. (U) This is an action request; see para 4.

12. (SBU) A subsidiary of the National Iranian Oil Company (NIOC) holds a ten percent share in the consortium that is developing Azerbaijan's Shah Deniz gas field. BP and Statoil are the major partners in the consortium, with 25.5 percent shares each, while Lukoil, Agip and SOCAR hold the remaining shares. As post understands the history of Shah Deniz development, no U.S. companies signed on to the deal out of concern over U.S. Executive Order sanctions against Iran.

13. (C) As instructed by Washington, post has been actively encouraging the Government of Azerbaijan to accelerate production of Shah Deniz Phase II gas and negotiate a deal with Turkey for the transit of Shah Deniz gas from Turkey to Europe. As part of post's ongoing dialogue on this issue, the Government of Azerbaijan recently asked for USG technical assistance to help move this initiative forward. Specifically, in a September 12 meeting, Minister of Finance Sharifov asked for USTDA assistance in developing the legal framework for a transit agreement with Turkey. In the same meeting, Sharifov also asked USTDA for a technical assessment of Turkey's gas infrastructure grid, in order to determine whether the Turkish network would be able to accommodate Shah Deniz gas (ref).

14. (C) Action Request: Given NIOC's ten percent share in the Shah Deniz consortium, we seek the Department's guidance on whether the TDA assistance requested by the Government of Azerbaijani is permitted under the Executive Order sanctions prohibiting trade and investment with Iran. We are particularly concerned about the relevance of E.O. 12957 prohibiting services that would benefit the Iranian energy industry. The Department's guidance is requested as soon as possible.

DERSE